

**CONTRA COSTA WATER DISTRICT
BOARD OF DIRECTORS
SPECIAL MEETING AND STUDY SESSION
October 16, 2020**

MINUTES

CALL TO ORDER

President Borba called to order a special meeting and study session of the Board of Directors of the Contra Costa Water District (CCWD) at 9:02 a.m., at 1331 Concord Avenue, Concord, the regular meeting place of the Board. President Borba announced that the teleconference was being held pursuant to Governor Newsom's Executive Orders.

SAFETY BRIEFING

Mr. Welch provided a COVID-19 safety briefing.

ROLL CALL

Directors Present:	Lisa M. Borba, President Connstance Holdaway, Vice President Ernesto A. Avila Bette Boatmun John A. Burgh
Directors Absent:	None
General Manager:	Stephen J. Welch
Legal Counsel:	Douglas E. Coty
District Secretary	Mary A. Neher
Executive Management Analyst	Jamie Elsberry

PLEDGE OF ALLEGIANCE

President Borba led the pledge of allegiance.

ADOPTION OF AGENDA

The Board adopted the agenda by rule.

The meeting facilitator, Lee Shuff, provided an overview of the ground rules and meeting schedule.

PUBLIC COMMENT (Please observe a three-minute time limit)

President Borba asked for public comment. There were none.

President Borba handed the meeting facilitation over to Mr. Shuff.

DISCUSSION AND INFORMATION

1. Major Policy Calendar (MPC)

Ms. Elsberry reviewed the updated MPC containing items to be brought to the Board from November 2020 through October 2021. The MPC was last reviewed at the June 19, 2020 study session. The significant activities of the District were reviewed. Mr. Welch explained that a two-year delay for the Canal Modernization Project may be brought to the Board to provide the District with more financial flexibility. A review of the retiree cost of living adjustment process was included during this MPC period. The regular Board of Directors meeting date conflicts and their potential adjusted meeting dates were reviewed. The Board was asked to provide staff with conflicts to the draft 2021 Board and Committee meeting schedule.

2. Federal Legislative Representative

Marcus Faust, the District's federal legislative representative, discussed the Supreme Court nomination process. The number of bills introduced and passed during regular and lame-duck sessions for the 115th and 116th Congress were provided. Some larger bills to be considered during the upcoming lame-duck session were reviewed. The Water Infrastructure Improvements for the Nation Act project funding and efforts to reauthorize it were provided. The Los Vaqueros Reservoir Expansion funding requests for FY21 and FY22 were reviewed. The Water Infrastructure Finance and Innovation Act of 2020, which could possibly be used for the Canal Modernization Project, would extend the financing term for public water projects from 35 to 55 years. The process of prepositioning bills that can later be packaged into a larger bill was provided. An election update noted that the House of Representatives was expected to remain under democratic control and the Senate could become evenly split between the republicans and democrats. The 2021 legislative issues were reviewed and included economic relief, civil rights, climate change, healthcare, trade, and immigration. A review of the term "packing the court," which is very controversial among legislators, was provided. Congress can pass a law to add more seats to the Supreme Court, as the number of seats is not included in the U.S. Constitution.

3. State Legislative Representative

Julee Malinowski-Ball, the District's state legislative representative, provided a wrap up of state legislation and impacts to the bill process from COVID-19. The legislators reviewed 900 bills during this session and passed 428 bills to Governor Newsom of which he vetoed 13%. The end of this virtual legislative session process was compared to past in-person legislative session process. The big bills unable to be completed during the session were reviewed. The results from a September election poll of registered voters was provided. The state drew on the Budget Stabilization Account over the last year. The upcoming state budget planning process and anticipated cuts were reviewed. Mr. Faust said the amount of federal COVID stimulus funds available to states will depend upon the outcome of the federal election. An update on the Greenhouse Gas Reduction Fund, which is supposed to fund the Safe and Affordable Drinking Water (SADW) Program, was provided. The upcoming state legislative session issues include SADW funding, wildfires, federal COVID relief, budget, and water bonds. A discussion ensued about how the state will fill the gaps in its budget from the lost revenues due to COVID impacts on the local economies.

At 10:28 a.m. a 10-minute break was called, and the study session reconvened at 10:38 a.m.

4. Contra Costa Water Authority (CCWA)

Assistant General Manager – Planning & Water Resources Jeff Quimby reviewed the formation of the CCWA to finance, construct, and operate the Randall-Bold Water Treatment Plant (RBWTP), a joint project in Oakley between the District and Oakley Water District, which is now the Diablo Water District (DWD). The final debt service payment for the CCWA was made on October 1, 2020. A review of the Joint Powers Authority (JPA) Agreement, Site Lease Agreement, and Facility Lease Agreement for the RBWTP was provided. The Site Lease and the Facility Lease agreements were terminated when the debt service was paid off. The JPA Agreement is still in effect and provides the District with site and operations control of the RBWTP. The land is jointly owned by the District and DWD, and the improvements are owned by CCWA. The costs and effort to maintain CCWA are nominal. The District pays for the annual audit/financial statements and provides the labor for regulatory reporting and annual Board meeting. The JPA Agreement allows for possible future expansion of the RBWTP. The District will continue to review the cost and benefit of CCWA in conjunction with DWD.

In response to the Board, staff confirmed the estimated annual costs paid by the District were \$4,000. Staff will reach out to DWD to get their view regarding the continuation of the JPA Agreement. The Board discussed past CCWA meeting practices and requested at least annual meetings of the two agencies. Staff confirmed it would work with DWD to get the boards together. This review of the CCWA demonstrated the benefits of maintaining the JPA Agreement. Staff confirmed that the continuation of the existing CCWA JPA Agreement would provide the structure to incorporate maintenance and future water quality regulatory requirements at RBWTP. The Board expressed concerns about future costs related to new water quality regulations that could potentially require changes to the facility. Staff confirmed that the existing JPA Agreement included cost-sharing terms to address such future costs as long as the JPA Agreement is still in place.

5. Rate Review

Director of Finance Lizz Cook provided the 2021 rate review schedule. The 2021 rate assumptions are based upon the 2019 rate study methodology, and the revenue projections take into consideration the FY21-FY22 budget and 2021-2030 Capital Improvement Program (CIP). The FY21 water sales projections include the City of Antioch's (Antioch) desalination project and does not include the Marathon refinery closure. District reserves will be used to mitigate the revenue impacts from the Marathon closure for FY21, and the future revenue impacts are being analyzed. The District's use of reserves to reduce rate spiking was reviewed. The District was notified by the U.S. Bureau of Reclamation that it would receive a 40% water rate increase, which was not included in this rate review. The District is working to get validation for the revised cost reallocation from the Central Valley Project Improvements Act.

Based upon the 2019 rate study model, the District is recommending a 3.75% revenue increase for 2021 to both untreated and treated water customers. The future rate increase projections will need to be adjusted to reflect the Marathon refinery closure and COVID expenditures. A review of the projected revenue increase to the treated water charge components, including a one-third energy offset, for 2021 was provided. Sample treated water customer bills using 260 gallons per day across the eight energy zones were reviewed. The increases across the untreated water customer groups were reviewed. Once the Board confirms the rate assumptions, the District will reach out to the municipal and industrial untreated water customers. This is the final year of the phased-in rate adjustment for the agriculture customer group. Staff recommends for the District to maintain the 2019 rate structure and cost allocation methodology and provide a one-third energy charge offset to treated water customers. Staff requests for the Board to concur with the 2021 rate assumptions and 3.75% revenue increase. The District currently has approximately \$140,000 of payments over 180 days, which is significantly higher than one year ago when the amount was \$10,000. The rate review scheduled was provided.

The Board discussed the importance to keep the legislators informed about water agencies' fixed costs and the financial impacts to those agencies from various unknown and uncontrolled events. The City of Antioch informed the District that it does not need a standby water service agreement once it completes its desalination project. The potential for additional refinery closures was discussed. A discussion ensued regarding the need to provide the public with additional education regarding the financial impacts experienced and anticipated by the District. While the District is sensitive to the economic impacts to its customers from COVID, it needs to be fiscally responsible and to move forward with the 3.75% revenue increase or the gap will grow much larger and cause higher increases in the future. The Board expressed appreciation of the District's customers payment history and requested for the Proposition 218 notices to be sensitive to the economic challenges being experienced by customers. The changing financial impacts will continue to be reviewed and incorporated into future planning cycles.

6. Los Vaqueros Reservoir Expansion Project Update

Assistant General Manager – Policy and External Affairs Marguerite Patil reviewed the role and responsibilities of the proposed Joint Powers Authority (JPA) Water Supply Coordinator. Various state, federal, and local water agency positions that were similar to the JPA Water Supply Coordinator were provided. It was suggested that the final position title clarify the work being done. The JPA Board will decide if the position is filled by staff or a consultant. The role of the Program Manager was also reviewed. The benefits of using one or more consulting firms to provide the wide range of responsibilities needed by the JPA was discussed by the Board. A staff cost analysis can be done using data from other California joint power authorities, and a list of those authorities was provided. A review of ideas on how the JPA would minimize voting impacts from absent Board members was provided. The withdrawal opportunities for JPA members before construction and after issuance of bonds were provided. Even if a member agency took over the benefits and debt from a departing member agency, they would only have one seat on the JPA Board. The types of facility design and construction contracts, which included the potential use of Project Labor Agreements (PLAs), would be at the discretion of the member agency responsible for executing design and construction of a project component. The schedule for JPA governance updates provided to the Board was reviewed.

The Board suggested for the JPA Agreement to include language that the use of PLAs was at the sole discretion of the facility owner. Staff continues to provide support to the Local Agency Partners (LAPs) as they bring the second amendment of the Multi-party Cost Sharing Agreement to their boards. The LAP General Managers (GMs) continue to meet and review the usage fee calculations and analysis. The District is awaiting additional feedback from the LAP GMs. The JPA Agreement includes terms to address the possibility of adding a future partner.

7. Making a Good Board Better

Information Technology Manager James Yeom started with a phishing email training video for the Board and provided a review of different phishing tactics used. The costs to businesses from phishing attacks, which included several local examples, were provided. An overview of the District's layered cyber security program was provided. Various email tips that may be used to reduce phishing attempts and email social engineering red flags were reviewed. A discussion regarding malware impacts to Mac versus Windows operating machines ensued.

As requested at the last Board study session, a red-lined Board Procedures Manual (Manual) was provided to the Board in preparation of this study session. The Board discussed in-person and virtual meeting compensation. The Board noted that the Governor's executive orders related to COVID has increased its ability to attend more meetings on behalf of the District. The Board discussed establishing a public communication

policy to use when there is potential or existing litigation involving the District. The Board concurred that it wants to complete a thorough review and discussion of the Manual at a future special meeting. Mr. Coty reviewed the special Board meeting process. Mr. Welch offered staff's assistance in the collection of discussion topics and administrative change items to assist in the Board in its review.

The Board discussed expanding its Lifeline Program that provides rate assistance to qualifying customers and is funded through non-ratepayer revenues. The Board expressed a desire to move forward with program updates and to not wait for the State of California to develop its program, which has been anticipated for over two years. The Board emphasized the importance for communications to educate the public about the need and availability of the District's rate assistance program. Staff is preparing a customer sampling to show where customers currently enrolled in the District's Lifeline Program live. The Board asked for staff to provide the results at a public meeting of the Board.

8. General Comments

a. General Manager

Mr. Welch thanked the Board for its participation in the study session. He hoped the Making the Good Board Better was of more value to the Board. The District received the Association of Metropolitan Water Agencies Sustainability Award. A photo of the Board will be taken, following COVID-19 requirements, before the October 21 Board meeting.

b. Legal Counsel

Mr. Coty said he enjoyed the robust discussions during the study session.

c. Board

Director Burgh said the meeting was great and expressed his appreciation for the Board discussions and efforts by everyone that made the study session possible.

Director Avila said it was a great meeting and that he would miss Director Boatmun at future study sessions.

Director Boatmun agreed that it was a great study session and that she plans to participate as a member of the public in the future.

Vice President Holdaway said the study session was really good and that she enjoyed the discussions and ideas that come out of the meeting. She expressed appreciation of Director Boatmun and her service to the District.

President Borba said she enjoyed the study session format and how it brings important matters to light, which are beneficial to the District's ratepayers. She thanked the Board, staff, and legislative representatives for the informative discussions. She thanked Director Boatmun for her work and dedication to the District and said that she has been honored to serve with Director Boatmun.

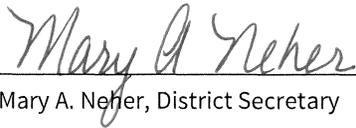
ADJOURNMENT

At 12:16 p.m. President Borba adjourned the meeting. The next meeting of the Board of Directors will be a regular meeting on October 21, 2020 commencing at 6:30 p.m. and will be held by teleconference.



Lisa M. Borba, President

Attest:



Mary A. Neher, District Secretary